

Revenue Information

The following section summarizes assumptions, trends, major influences, restrictions and composition of the City's revenue sources.



Annual Budget
July 1, 2006
through June 30, 2007

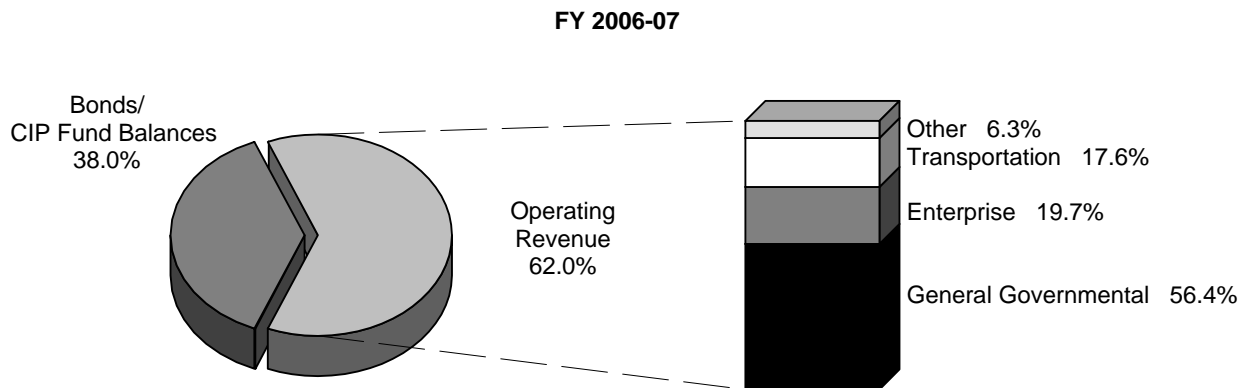


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Total Revenue

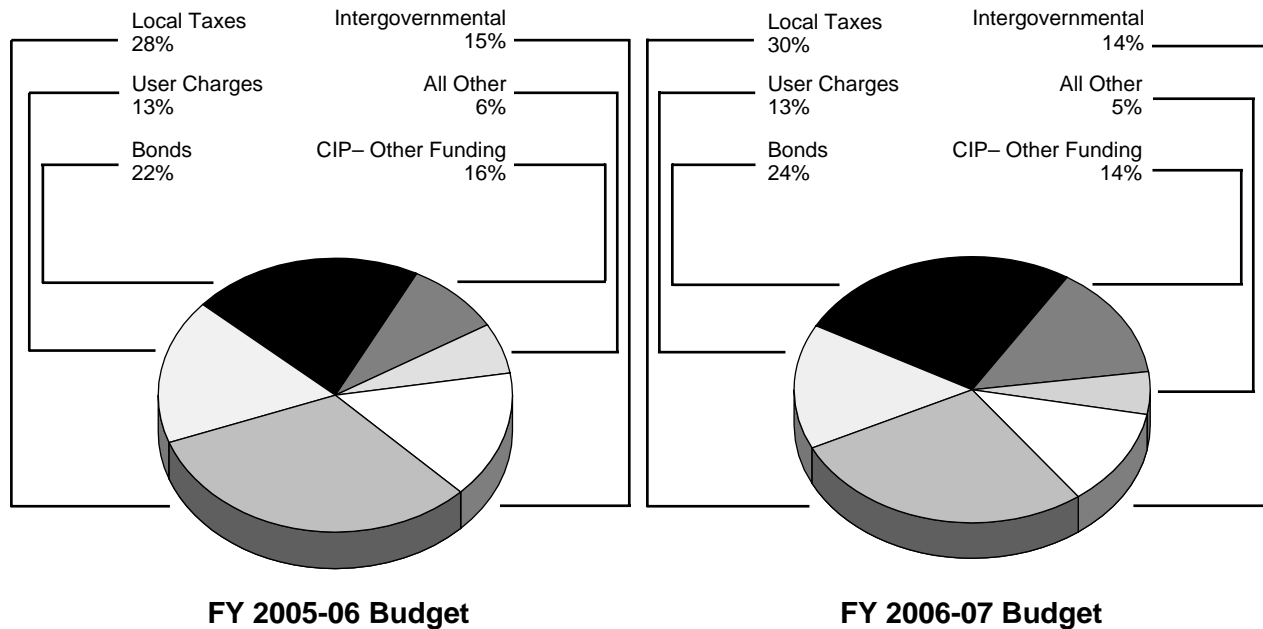


Total revenue for FY 2006-07 is \$510.8 million reflecting \$317.7 million in operating revenue and \$193.1 million from bond proceeds, fund balances and other funding sources. The FY 2006-07 operating revenue total represents 10.6% growth over FY 2005-06. The growth in operating revenue sources is indicative of recent economic improvement from the 2001 recession, while the increase in bonding and other funding sources is directly related to the growth in the Capital Improvement Program (CIP) budget.



TOTAL REVENUE		
	FY 2005-06 Budget	FY 2006-07 Budget
OPERATING REVENUE		
General Governmental		
Local Taxes, Licenses and Permits, and Debt	\$98,221,427	\$113,905,630
Intergovernmental	38,239,707	40,809,492
Charges for Services	7,477,396	10,922,429
Miscellaneous	11,719,000	13,470,516
Transportation/Transit	52,247,245	55,928,919
Performing Arts	5,881,072	7,393,250
CDBG/Section 8 Housing	11,731,640	11,502,474
Rio Salado Special Revenue	735,500	1,052,747
Enterprise	60,964,340	62,741,283
TOTAL OPERATING REVENUE	\$287,217,327	\$317,726,740
Operating Revenue Per Capita	\$1,747	\$1,916
Bond/Note Proceeds	102,302,061	122,103,743
CIP Other Funding	49,149,034	47,623,748
Fund Balances	26,601,027	23,389,885
TOTAL REVENUE	\$465,269,449	\$510,844,116
Total Revenue Per Capita	\$2,831	\$3,080

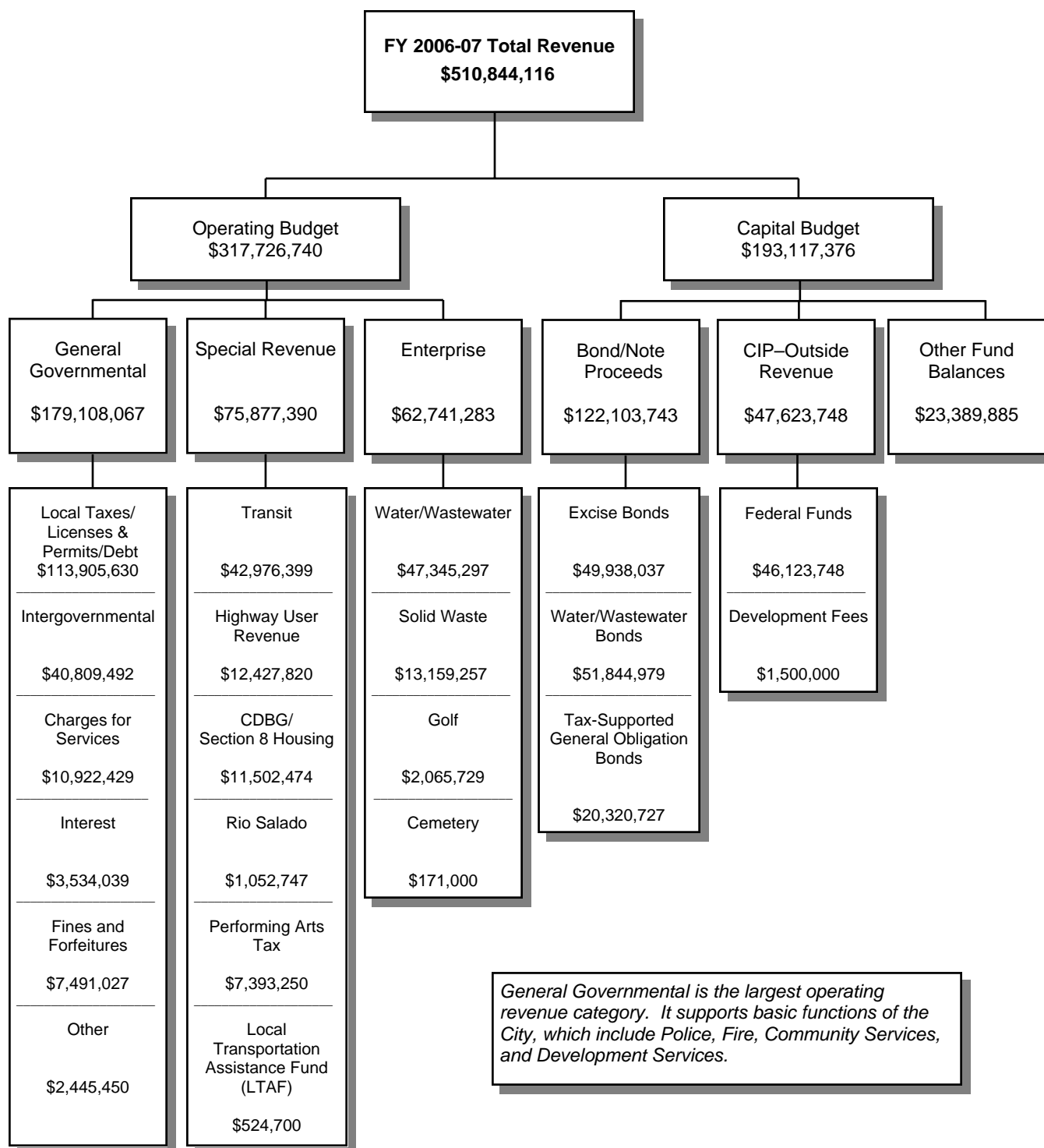
Total Revenue by Source



Where the Money Comes From

Revenue Source	FY 2004-05 Actual	FY 2005-06 Budget	FY 2005-06 Revised	FY 2006-07 Budget
Local Taxes				
Local Sales Taxes	\$66,667,254	\$66,534,600	\$74,815,800	\$79,432,060
Transit Tax	28,848,493	27,996,400	32,000,000	33,984,000
Other Local Taxes	29,500,709	31,171,527	31,967,460	33,791,710
Performing Arts	5,768,058	5,599,500	6,400,000	6,796,800
User Charges				
Water/Wastewater	40,694,013	43,943,620	42,222,688	44,883,245
Solid Waste	10,708,033	11,456,951	11,456,951	11,858,647
Community Services	6,755,860	6,990,524	6,866,052	7,447,939
Building/Trades & Planning/Zoning	3,458,518	2,464,500	4,035,677	5,640,490
Intergovernmental				
State Shared Revenue	36,068,229	38,239,707	38,939,707	40,809,492
HURF/LTAF	13,040,026	12,473,663	12,473,663	11,102,520
CDBG/Section 8 Housing	11,731,640	11,731,640	11,730,640	11,502,474
Transit State & Federal	6,905,135	6,632,639	6,633,133	7,284,534
All Other				
Interest Revenue	6,423,338	6,571,467	7,432,061	6,519,334
Miscellaneous Revenue	7,939,592	8,306,939	7,427,255	7,732,962
Fines and Forfeitures	6,639,189	6,012,750	6,640,519	7,491,027
Licenses and Permits	1,184,114	1,090,900	1,250,088	1,449,506
Bonds/Note Proceeds	113,032,768	102,302,061	102,302,061	122,103,743
CIP - Outside Revenue	40,517,237	49,149,034	49,149,034	47,623,748
Other - Fund Balance	19,609,521	26,601,027	26,601,027	23,389,885
Total Revenue	\$455,491,727	\$465,269,449	\$480,343,816	\$510,844,116

Components of Total Revenue



Comparative Operating Revenue by Major Source and Fund



Revenue Source	FY 2004-05 Actual	FY 2005-06 Budget	FY 2005-06 Revised	FY 2006-07 Budget
General Fund				
Local Taxes				
City Sales Tax	\$66,358,662	\$66,170,000	\$74,360,000	\$78,948,000
Primary Property Tax	8,810,296	9,345,934	9,345,684	9,752,845
Transient Lodging Tax	2,603,119	2,402,000	2,900,000	3,079,800
Franchise Fees	1,678,437	1,328,567	1,531,500	1,571,500
<i>Total Local Taxes</i>	<i>79,450,514</i>	<i>79,246,501</i>	<i>88,137,184</i>	<i>93,352,145</i>
Intergovernmental Revenue				
State Sales Tax	14,695,069	15,538,331	15,538,331	17,484,642
State Income Tax	14,582,117	16,601,376	16,601,376	16,615,250
Vehicle License Tax	6,791,043	6,100,000	6,800,000	6,709,600
<i>Total Intergovernmental</i>	<i>36,068,229</i>	<i>38,239,707</i>	<i>38,939,707</i>	<i>40,809,492</i>
Building & Trades/Planning & Zoning	3,458,518	2,464,500	4,035,677	5,640,490
Cultural and Recreational				
Registration Fees	3,963,567	3,913,300	3,914,627	4,144,049
Recreation Admission Charges	274,076	295,200	295,928	328,700
Library Fines and Fees	244,970	345,196	326,297	349,490
Other Cultural and Rec Fees	527,077	459,200	459,200	459,700
<i>Total Cultural and Recreational</i>	<i>5,009,690</i>	<i>5,012,896</i>	<i>4,996,052</i>	<i>5,281,939</i>
Fines, Fees and Forfeitures				
Traffic Fines	1,684,479	1,520,000	1,684,500	1,775,000
Criminal Fines	1,154,703	992,000	1,154,700	1,177,700
Parking Fines	635,450	520,000	635,500	661,000
Other Fines, Fees and Forfeitures	3,164,557	2,980,750	3,165,819	3,877,327
<i>Total Fines, Fees and Forfeitures</i>	<i>6,639,189</i>	<i>6,012,750</i>	<i>6,640,519</i>	<i>7,491,027</i>
Business/Non-Business Licenses	1,184,114	1,090,900	1,250,088	1,449,506
Other Revenue Sources				
SRP Payment in Lieu of Taxes	596,940	500,000	535,000	521,600
Interest Income	2,969,200	3,569,155	3,929,213	3,534,039
Other Miscellaneous Revenue and Loan	3,043,933	2,137,095	2,071,225	2,445,450
<i>Total Other Revenue</i>	<i>6,610,073</i>	<i>6,206,250</i>	<i>6,535,438</i>	<i>6,501,089</i>
Total General Fund	\$138,420,327	\$138,273,504	\$150,534,665	\$160,525,688
Debt Service Fund				
Secondary Property Tax	\$14,631,500	\$16,707,531	\$16,707,531	\$17,693,103
SRP Payment in Lieu of Taxes	930,272	676,495	676,495	887,276
Total Debt Service Fund	\$15,561,772	\$17,384,026	\$17,384,026	\$18,580,379



Revenue Source	FY 2004-05 Actual	FY 2005-06 Budget	FY 2005-06 Revised	FY 2006-07 Budget
Transit Fund				
Transit Tax	\$28,848,493	\$27,996,400	\$32,000,000	\$33,984,000
Lottery Transfer In	273,604	263,730	263,730	258,500
ASU-Flash Transit	477,623	496,403	496,403	508,434
Interest Income	1,410,065	1,690,921	1,210,347	989,577
Federal and State Funding	6,153,908	5,872,506	5,873,000	6,517,600
Miscellaneous Revenue	704,160	1,602,788	718,288	718,288
Total Transit Fund	\$37,867,853	\$37,922,748	\$40,561,768	\$42,976,399
Transportation Funds				
Highway User Revenue Tax	\$12,492,819	\$11,938,207	\$11,938,207	\$10,577,820
Maintenance of Effort		1,850,000	1,850,000	1,850,000
State Lottery Proceeds	547,207	535,456	535,456	524,700
Other Revenue	42,887	834	850	
Total Transportation Funds	\$13,082,913	\$14,324,497	\$14,324,513	\$12,952,520
Rio Salado Fund				
City Sales Tax	\$308,592	\$364,600	\$455,800	\$484,060
Transient Lodging Tax	181,707	143,000	203,000	215,586
Primary Property Tax	68,438	68,000	68,250	70,000
Interest Income	148,828	100,000	156,823	136,601
Miscellaneous Revenue	900,299	59,900	130,570	148,500
Total Rio Salado Fund	\$1,607,864	\$735,500	\$1,014,443	\$1,054,747
Performing Arts				
Performing Arts Tax	\$5,768,058	\$5,599,500	\$6,400,000	\$6,796,800
Interest Income	335,344	281,572	497,355	451,450
Fees and Admission				145,000
Total Performing Arts	\$6,103,402	\$5,881,072	\$6,897,355	\$7,393,250
Total CDBG/Section 8 Housing Funds	\$11,574,472	\$11,731,640	\$11,730,640	\$11,502,474
Solid Waste Fund				
Residential Service	\$6,384,448	\$6,783,831	\$6,783,831	\$7,024,009
Commercial Service	4,323,585	4,673,120	4,673,120	4,834,638
Roll-Off Service	967,635	967,489	967,489	1,000,691
Recycling	259,948	140,000	140,000	140,700
Sludge Disposal	118,947	95,000	95,000	95,500
Interest Income	39,313	30,509	72,394	63,719
Other Miscellaneous Revenue	231,075	120,000	120,000	
Total Solid Waste Fund	\$12,324,951	\$12,809,949	\$12,851,834	\$13,159,257



Revenue Source	FY 2004-05 Actual	FY 2005-06 Budget	FY 2005-06 Revised	FY 2006-07 Budget
Water/Wastewater Fund				
Charges for Service-Water				
Water Consumption	\$16,426,749	\$17,842,578	\$17,590,211	\$18,619,482
Water Service	6,755,487	6,854,390	7,047,645	7,372,003
Irrigation	297,768	313,412	332,217	332,212
Other Water Charges	1,140,807	1,582,046	501,500	511,500
<i>Total Charges for Service-Water</i>	24,620,811	26,592,426	25,471,573	26,835,197
Charges for Service-Wastewater				
Sewer Usage	10,084,809	10,696,652	10,640,362	11,471,121
Sewer Service	5,670,683	6,272,609	5,970,753	6,436,927
Other Wastewater Charges	317,710	381,933	140,000	140,000
<i>Total Charges for Service-Wastewater</i>	16,073,202	17,351,194	16,751,115	18,048,048
Interest Income	1,506,075	886,116	1,557,673	1,338,219
Land and Facility Rental	520,000	520,000	520,000	520,000
Loan Repayment from General Fund	542,832	542,833	542,833	542,833
Other Miscellaneous Revenue	399,768	61,000	61,000	61,000
Total Water/Wastewater Fund	\$43,662,688	\$45,953,569	\$44,904,194	\$47,345,297
Golf Fund				
Greens Fees	\$1,746,170	\$1,850,000	\$1,850,000	\$1,850,000
Pro Shop and Restaurant Revenue	208,108	210,000	210,000	210,000
Interest Income	14,513	13,194	8,256	5,729
Total Golf Fund	\$1,968,791	\$2,073,194	\$2,068,256	\$2,065,729
Cemetery Fund				
Lot & Burial Sales		\$127,628	\$20,000	\$171,000
Total Cemetery Fund		\$127,628	\$20,000	\$171,000
Total Revenue - All Funds	\$282,175,037	\$287,217,327	\$302,291,694	\$317,726,740

City Sales Tax



Restrictions	Fiscal Year	Amount	Percent Change
Current rate of 1.8% can be increased only by electorate. Certain proceeds are pledged as security for bond payments due under various bond security agreements. Revenue from a voter-approved 0.5% portion are dedicated to transit purposes and 0.1% dedicated funding for Performing Arts. In addition, all transaction privilege tax revenue generated in the Rio Salado Enterprise Fund Zone are deposited to the Rio Salado Fund for the operating expenses of the Rio Salado project.	1996-97	\$50,495,336	4.1
	1997-98	57,283,547	13.4
	1998-99	60,100,000	4.9
	1999-00	59,967,700	(0.2)
	2000-01	63,602,106	6.1
	2001-02	59,991,774	(5.7)
	2002-03	59,855,000	(0.2)
	2003-04	60,926,575	1.8
	2004-05	66,358,662	8.9
	2005-06 est.	74,360,000	12.1
	2006-07 est.	78,948,000	6.2

Assumptions

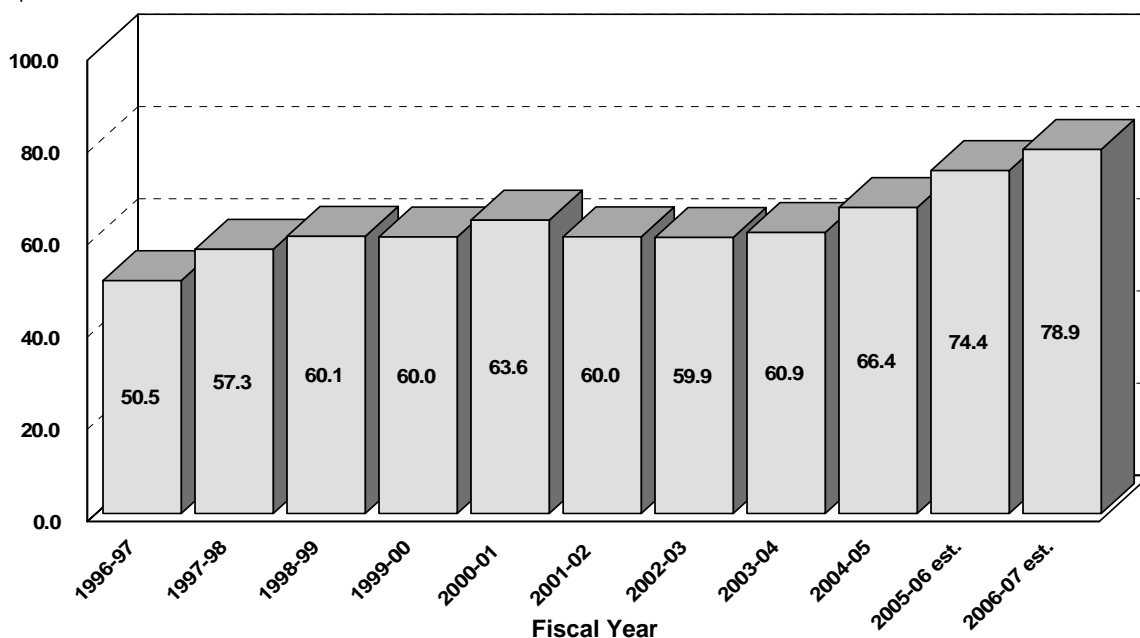
The City sales tax, known formally as the transaction privilege tax, is derived from a 1.8% tax on a variety of financial transactions, including retail sales, rental payments, contracting sales, utility, telecommunications payments, and hotel/restaurant sales. In FY 1993-94, voters approved a 0.2% increase from 1.0% to 1.2%. Additional increases of 0.5% (September 1996) and 0.1% (January 2001), are devoted to transit and performing arts needs and are not reflected in the amounts above.

A downturn in the national economy accounts for the 2001-03 reduction in sales tax collections. Due to proactive redevelopment and planning the City has fully recovered from this downturn. The FY 2005-06 year end estimates indicate collection increases of 27.5% in construction, 14.6% in retail and 12.8% in restaurant. Given this trend, the FY 2006-07 projection is at its highest level to date for collections.

Major Influences: Taxable Sales, Population, and Consumer Price Index

City Sales Tax

\$ Millions



City Property Tax



Restrictions	Fiscal Year	Amount	Percent Change
Primary Levy: Limited to annual increase of 2% plus amount generated by new construction. No restriction on usage.	1996-97	\$12,808,631	4.2
	1997-98	13,832,004	8.0
	1998-99	15,172,288	9.7
	1999-00	16,561,936	9.2
Secondary Levy: Restricted for debt service purposes only. No limit on rate.	2000-01	18,414,400	11.2
	2001-02	18,864,580	2.4
	2002-03	20,238,875	7.3
	2003-04	21,373,212	5.6
	2004-05	23,510,234	10.0
	2005-06 est.	26,121,465	11.1
	2006-07 est.	27,515,948	5.3

Assumptions

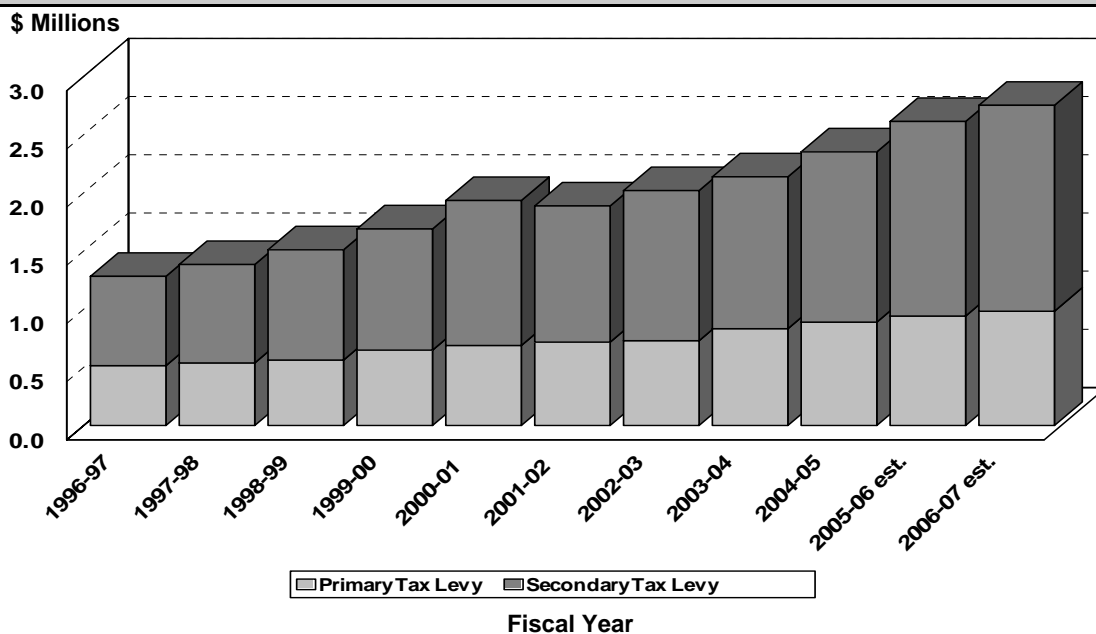
The City's property tax is levied based on the assessed value of the property from the previous February 10th as determined by the Maricopa County Assessor, whose office both bills and collects all property taxes. Changes in total revenue collected during these years have been the result of state policy affecting assessed valuations, assessed valuation growth, and new development.

The combined primary and secondary property tax rate for FY 2006-07 will total \$1.40 per \$100 assessed valuation, consisting of \$0.52 per \$100 of the primary assessed valuation for operating and maintenance costs and \$0.88 per \$100 of secondary assessed valuation to fund principal and interest payments on bonded indebtedness. The City held the aggregate property tax rate at \$1.35 for five fiscal years before increasing it by \$0.05 in FY 2005-06 to \$1.40. The full amount of the increase was applied to the secondary, with the intent that the additional revenue generated be dedicated to repay debt for capital improvement projects. For FY 2006-07, assessed valuation growth is in accordance with the County's biennial valuation methodology.

These proceeds go to different funds; the primary levy of \$9.8 million goes to the General fund and the secondary levy of \$17.7 million goes to the Debt Service fund.

Major Influences: Development, Assessor Appraisal Methodology, State Policy, Population Growth, and Policy Regarding Property Tax Rates

City Property Tax



Transient Lodging Tax



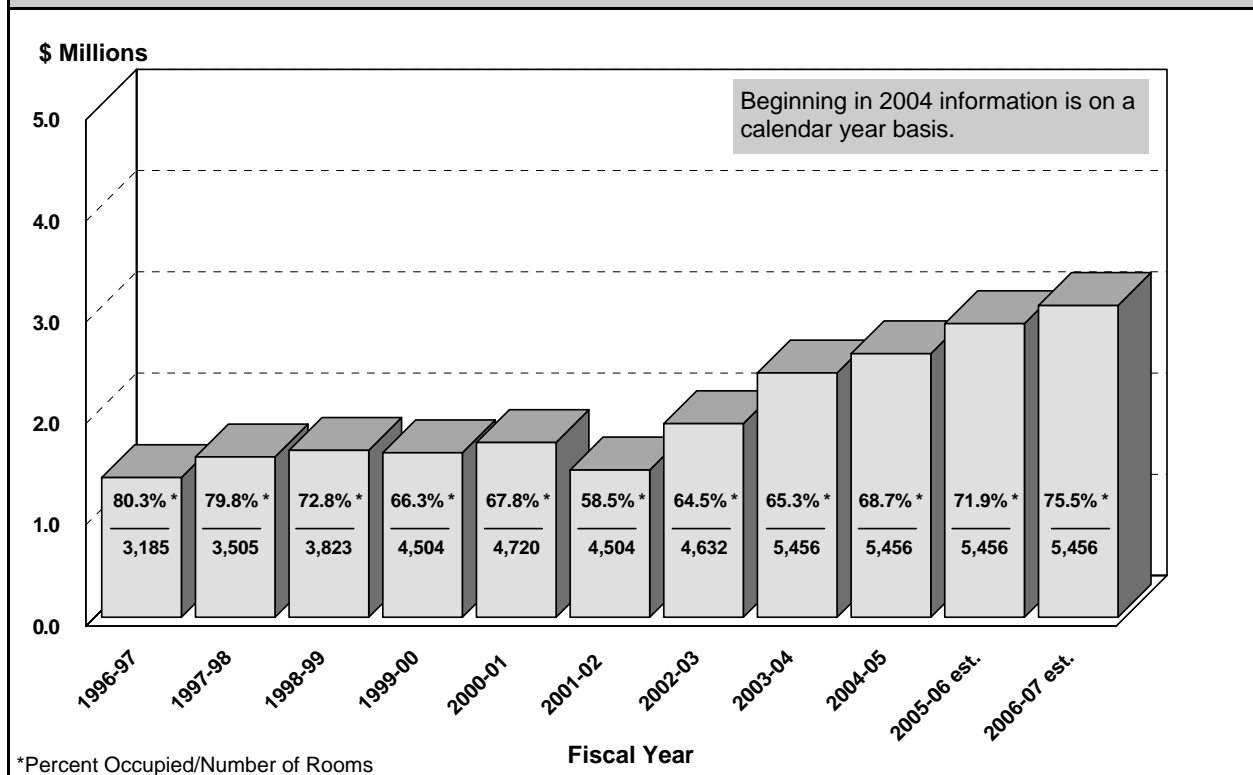
Restrictions	Fiscal Year	Amount	Percent Change
<p>Current rate of 3% can be increased only by electorate.</p> <p>Of the total amount collected, 2/3 is pledged to the Tempe Convention and Visitors Bureau (TCVB). Excess unrestricted proceeds are deposited into the General Fund, except for bed tax revenue generated within the Rio Salado Enterprise Zone, which is deposited to the Rio Salado Fund for operating costs of the Rio Salado Project.</p> <p>The tax originated in June of 1988 at 2% with half (or 1%) dedicated to TCVB. In FY 2001 voters approved an additional 1% for TCVB, increasing the tax from 2% to 3%.</p>	1996-97	\$1,379,301	11.6
	1997-98	1,584,138	14.9
	1998-99	1,649,000	4.1
	1999-00	1,625,300	(1.4)
	2000-01	1,725,597	6.2
	2001-02	1,454,927	(15.7)
	2002-03	1,911,752	31.4
	2003-04	2,413,099	26.2
	2004-05	2,603,119	7.9
	2005-06 est.	2,900,000	11.4
	2006-07 est.	3,079,800	6.2

Assumptions

The tax is imposed on businesses who charge for lodging for any period of not more than 30 consecutive days. The increase in the revenue projection beginning in 2001 is reflective of a voter approved 1% increase rather than an increase in lodging structures or occupants.

Major Influences: Economy, Competition from Hotels Located in Neighboring Cities, and Consumer Price Index

Transient Lodging Tax



Salt River Project In-Lieu Tax



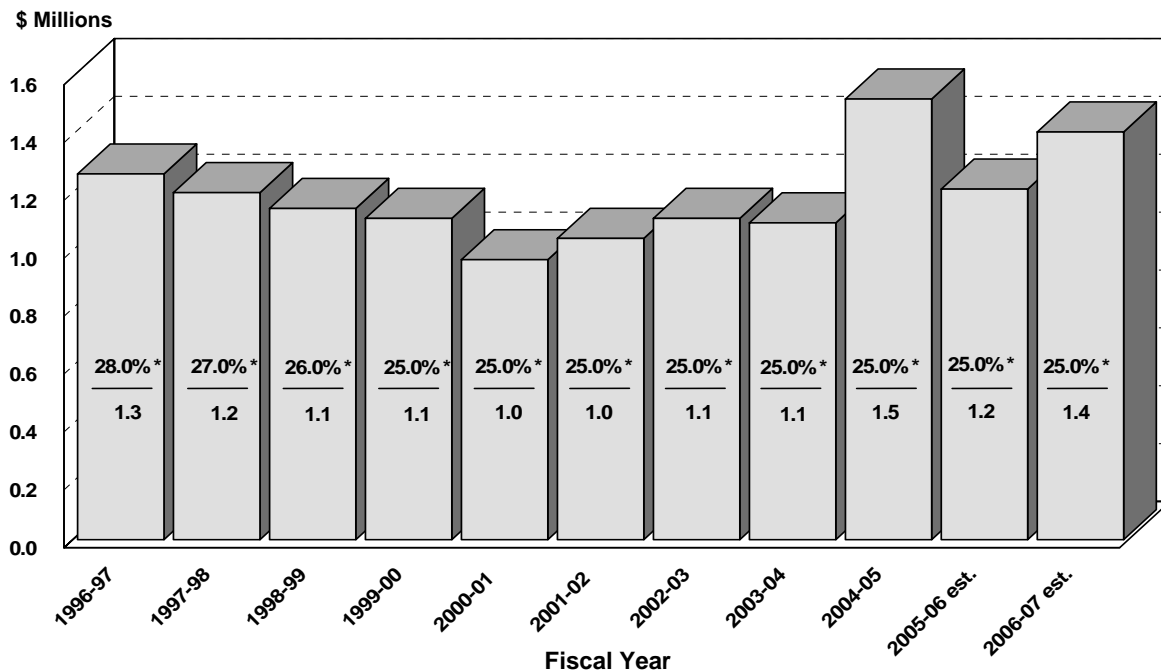
Restrictions	Fiscal Year	Amount	Percent Change
No restrictions on usage.	1996-97	\$1,263,705	(4.5)
	1997-98	1,199,458	(5.1)
	1998-99	1,144,363	(4.6)
	1999-00	1,110,420	(3.0)
	2000-01	967,193	(12.9)
	2001-02	1,041,291	7.7
	2002-03	1,110,403	6.6
	2003-04	1,094,665	(1.5)
	2004-05	1,522,519	39.1
	2005-06 est.	1,211,495	(20.4)
	2006-07 est.	1,408,876	16.3

Assumptions

As a government-operated public utility, the Salt River Project pays no franchise or property taxes. In lieu of these taxes, an amount is received from the utility based on a computation involving property location and plant investment. Proceeds from this revenue source are received through Maricopa County in June and December, and deposited into two different funds. For FY 2006-07 it is estimated that \$521,600 will go to the General Fund and \$887,276 to the Debt Service Fund. The SRP In-Lieu payment increase in FY 2006-07 reflects estimated assessed property value increases.

Major Influences: Real Property Value and State Policy (assessment ratio)

Salt River Project In-Lieu Tax



*Percents represent the assessment ratio on SRP real property/In-Lieu Tax revenue

State Shared Sales Tax



Restrictions	Fiscal Year	Amount	Percent Change
No restrictions on usage. Must be expended for a public purpose.	1996-97	\$10,857,100	(5.4)
	1997-98	10,476,954	(3.5)
	1998-99	12,292,002	17.3
	1999-00	13,511,356	9.9
	2000-01	13,951,532	3.3
	2001-02	12,148,438	(12.9)
	2002-03	12,405,713	2.1
	2003-04	13,345,152	7.6
	2004-05	14,695,069	10.1
	2005-06 est.	15,538,331	5.7
	2006-07 est.	17,484,642	12.5

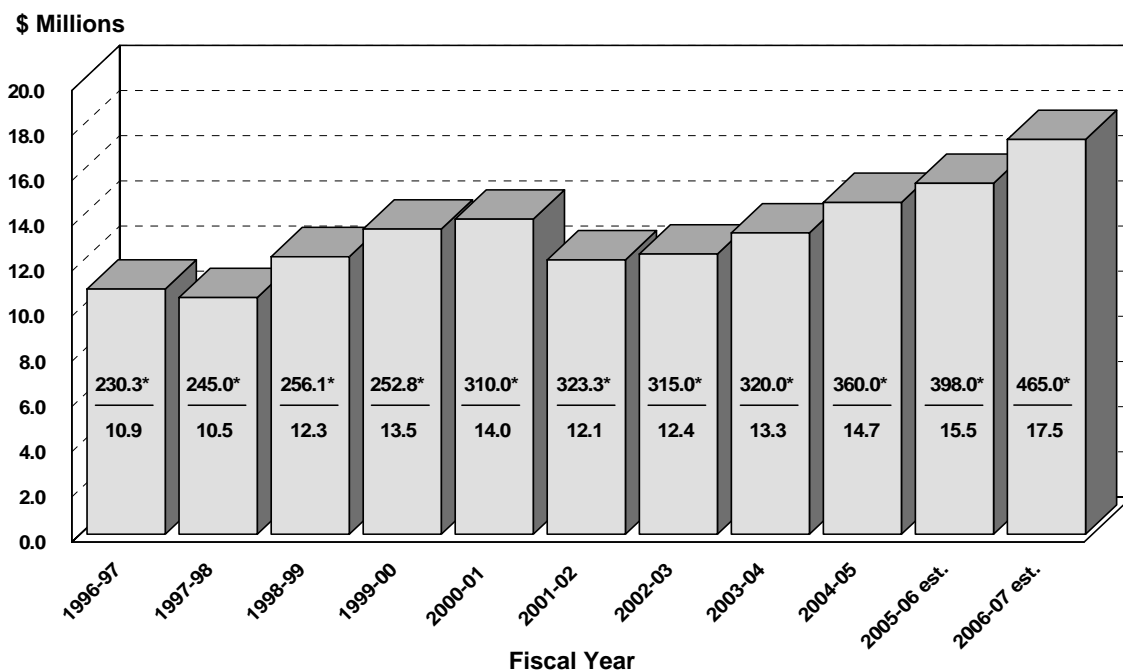
Assumptions

The state assesses a 5.6% sales tax, of which 0.6% is designated for educational purposes. Of the remaining, cities and towns share in 25% of the collections total (estimated at \$465 million for FY 2006-07) on the basis of their population in relation to total state population. Prior to 2000, Tempe accounted for 4.5% of the state's population, but with the 2000 Census Tempe's share fell to 4.0%. This reduction explains much of the decline in Tempe's state shared sales tax revenue in FY 2001-02. The share declined again to 3.4% with the 2005 mid-decade Census; but due to the robust State revenue growth the City did not experience a year over year net decrease.

The projected increase of 12.5% is reflective of the strength of the state's economic recovery since the national recession.

Major Influences: Taxable Sales, Population (relative to State) and State Law

State Shared Sales Tax



*Total state shared sales tax revenue pool/City's share of pool

State Shared Vehicle License Tax



Restrictions	Fiscal Year	Amount	Percent Change
No restrictions on usage. Must be expended for a public purpose.	1996-97	\$4,150,865	7.5
	1997-98	3,997,411	(3.7)
	1998-99	4,971,529	24.4
	1999-00	5,497,492	10.6
	2000-01	5,632,181	2.5
	2001-02	5,233,512	(7.1)
	2002-03	6,247,543	19.4
	2003-04	6,428,101	2.9
	2004-05	6,791,043	5.6
	2005-06 est.	6,800,000	0.1
	2006-07 est.	6,709,600	(1.3)

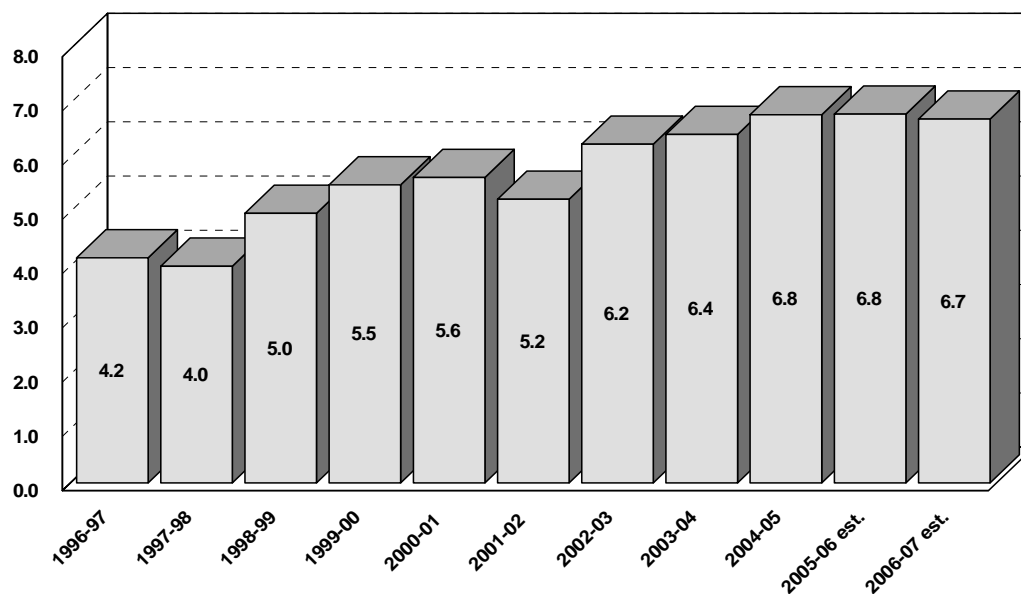
Assumptions

Cities and towns receive 25% of the net revenue collected for vehicle licensing within their county. The respective shares are determined by the Cities' share of population in relation to total incorporated population of the county. The remainder of the revenue collected is shared by schools, counties, and the state. Prior to 2000, Tempe accounted for 4.5% of the state's population. Based on the 2005 Special Census, this figure declined to 3.4%. In FY 2006-07, the strength of the state's economy has minimized the financial impact, but as the City nears build out, it will have a leveling effect on future revenue.

Major Influences: Population (relative to State), State Policy and Auto Sales

State Shared Vehicle License Tax

\$ Millions



Fiscal Year

State Shared Income Tax



Restrictions	Fiscal Year	Amount	Percent Change
No restrictions on usage. Must be expended for a public purpose.	1996-97	\$11,139,519	12.1
	1997-98	13,158,548	18.1
	1998-99	15,361,479	16.7
	1999-00	17,045,903	11.0
	2000-01	17,890,338	5.0
	2001-02	16,544,791	(7.5)
	2002-03	16,882,535	2.0
	2003-04	14,303,004	(15.3)
	2004-05	14,582,117	2.0
	2005-06 est.	16,601,376	13.9
	2006-07 est.	16,615,520	0.1

Assumptions

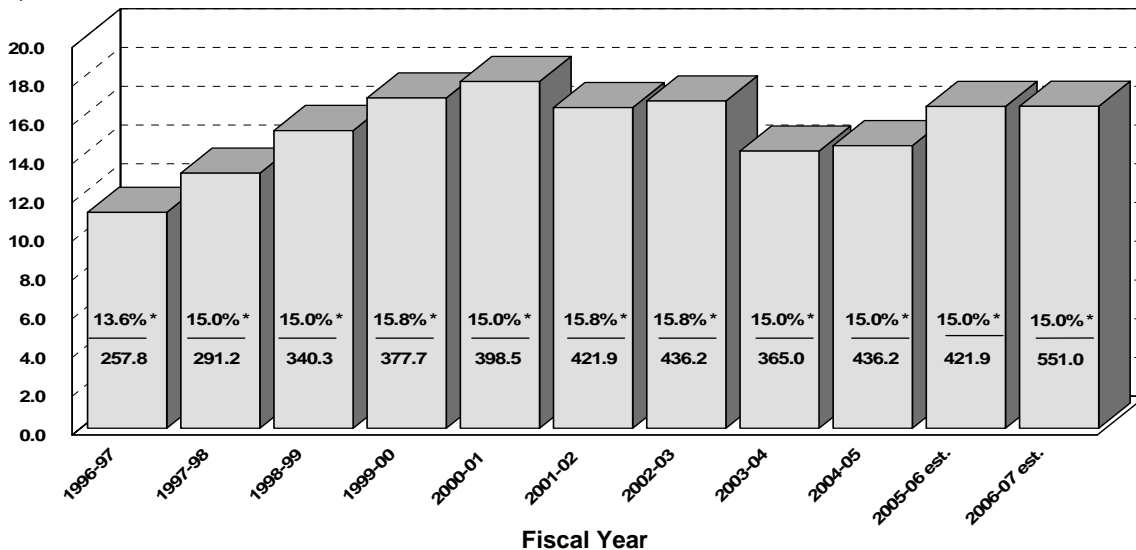
The right to levy income taxes in Arizona is a state responsibility. Amounts distributed are based on actual income tax collections from two years prior to the fiscal year in which the City receives the funds. Originally, Arizona cities and towns were entitled to receive 15.0% of the State's income tax collections, but this percentage is at the legislature's discretion and has varied from 13.6% in FY 1996-97 to 15.8% in FY 1999-00. Currently, the state shared revenue has been restored to 15.0%.

This state shared revenue is distributed to cities or towns based on the relation of their population to the total population of all incorporated cities and towns in the state. Prior to the 2005 Special Census, Tempe accounted for 4.0% of the state's population, but this share fell to 3.4% for FY 2006-07. The strength of the state's economy has offset the reduction in the City's percentage share and the FY 2006-07 estimate shows an increase of .1%.

Major Influences: Personal Income, Corporate Net Profits, Population (relative to State) and State Policy

State Shared Income Tax

\$ Millions



* Percent of state income tax collections distributed to cities and towns/Total state shared tax revenue pool (\$ in millions)

Charges for Services/Recreation and Social Services



Restrictions	Fiscal Year	Amount	Percent Change
No restrictions on usage, but intended to defray costs of recreation and social service programs.	1996-97	\$3,145,907	15.1
	1997-98	3,369,509	7.1
	1998-99	3,345,728	(0.7)
	1999-00	3,836,700	14.7
	2000-01	4,258,777	11.0
	2001-02	4,471,110	5.0
	2002-03	4,699,196	(5.1)
	2003-04	5,113,578	8.8
	2004-05	5,009,690	(2.0)
	2005-06 est.	4,996,052	(0.2)
	2006-07 est.	5,281,939	5.7

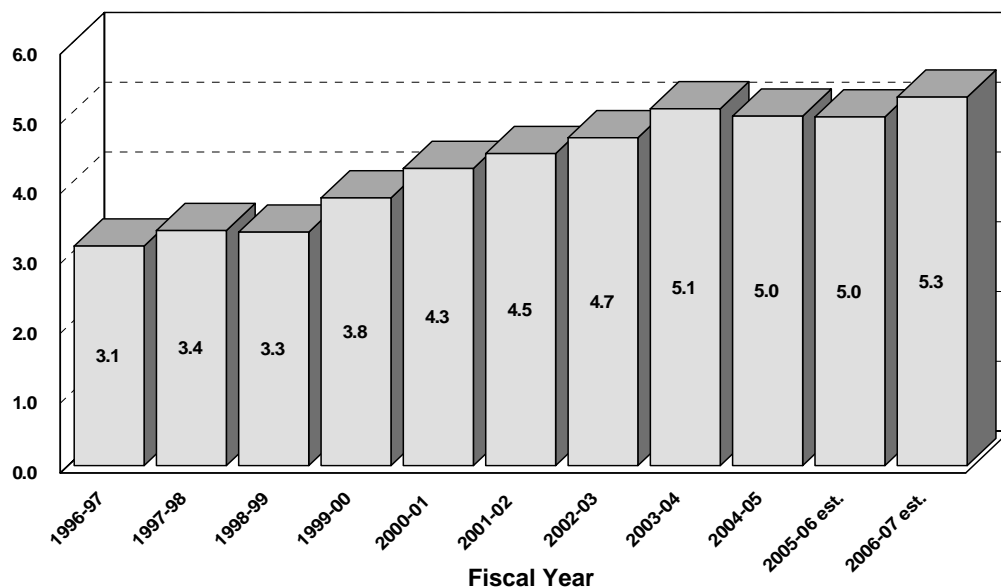
Assumptions

Revenue in this category is derived from a wide array of recreational activities (such as softball, swimming, and tennis) and social services programs (such as counseling services and after-school programs). By Council policy, many of these activities and services are partially or fully-funded through user charges. Fees are based on a targeted percentage for cost recovery of direct program operating costs, including wages and supply costs but excluding facility costs, administration, and capital outlay. The percentage of recovery of direct program costs is classified by user groups as follows: adult programs, 100% cost recovery; youth programs and senior programs, 50% cost recovery; and all Kiwanis Recreation Center classes/programs, 100% cost recovery.

Major Influences: Population, Cost Recovery Policy and New Program Development

Charges for Services/Recreation and Social Services

\$ Millions



Charges for Services/Development Related



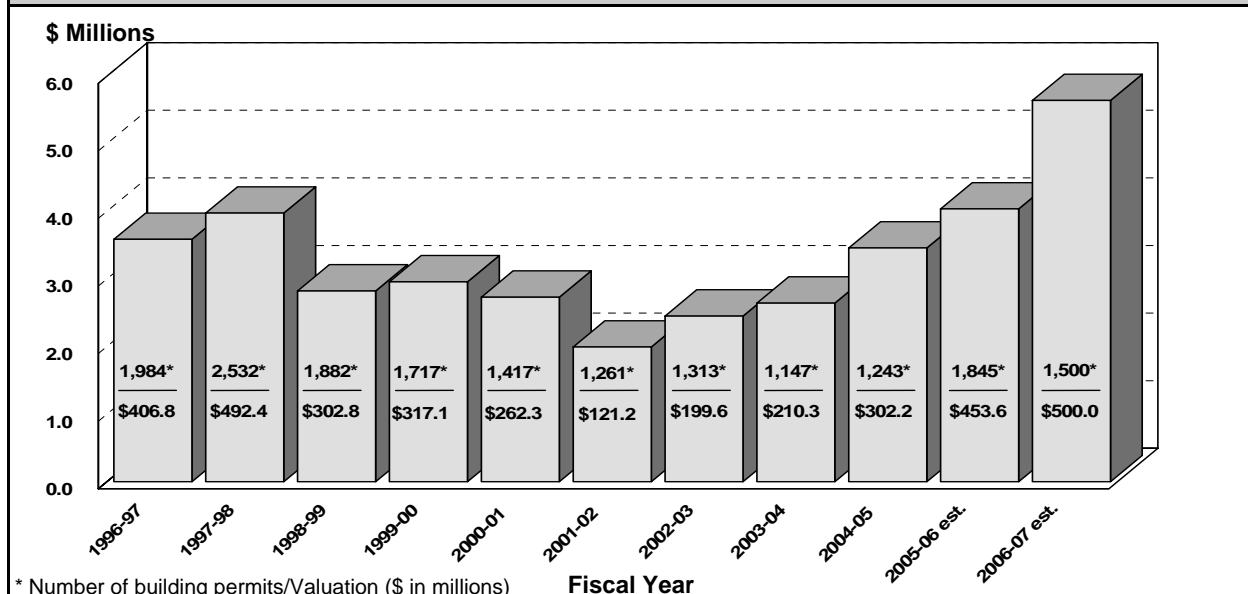
Restrictions	Fiscal Year	Amount	Percent Change
Intended to offset costs related to permitting and planning for residential and commercial development in the City, though there are no restrictions on usage.	1996-97	\$3,586,390	32.3
	1997-98	3,973,347	10.8
	1998-99	2,822,892	29.0
	1999-00	2,957,600	4.8
	2000-01	2,730,681	(7.7)
	2001-02	1,993,308	(27.0)
	2002-03	2,450,574	22.9
	2003-04	2,642,589	7.8
	2004-05	3,458,518	30.9
	2005-06 est.	4,035,677	16.7
	2006-07 est.	5,640,490	39.8

Assumptions

The annual growth rates shown above reflect the sometimes extreme cyclical nature of development. Following a year that included permit revenue related to the new Arizona Mills Mall, FY 1998-99 saw a drop-off in development activity in all sectors, consistent with declining rates of growth county-wide. Much of the increase in FY 2002-03 was due to a fee/rate increase. The impact of this increase was moderated in subsequent years in light of slow development activity associated with a landlocked community. This trend has reversed itself sharply, as the attractiveness of the Tempe downtown for development has increased permitting activity. When combined with a planning fee increase approved in FY 2004-05, the forecast growth is the largest in ten years.

Major Influences: Population, Tax Laws, Economy and Development

Charges for Services/Development Related



Fines and Forfeitures



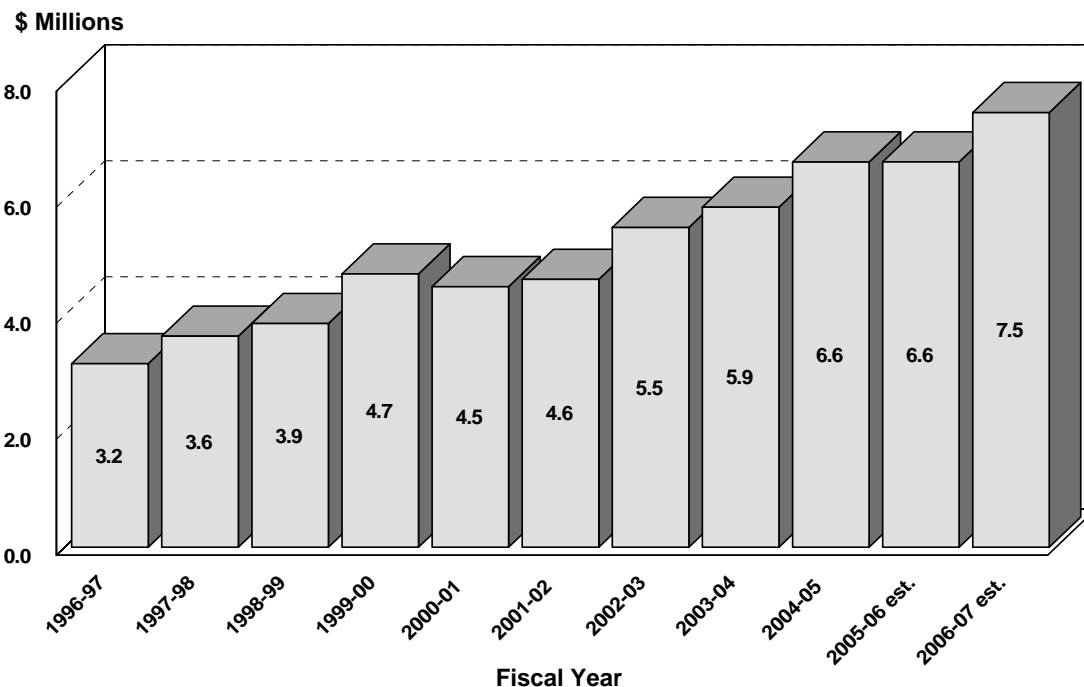
Restrictions	Fiscal Year	Amount	Percent Change
No restrictions on usage.	1996-97	\$3,162,253	2.2
	1997-98	3,636,208	15.0
	1998-99	3,856,034	6.1
	1999-00	4,709,700	22.1
	2000-01	4,489,939	(4.7)
	2001-02	4,615,379	2.8
	2002-03	5,510,475	19.4
	2003-04	5,858,482	6.3
	2004-05	6,639,189	13.3
	2005-06 est.	6,640,519	0.0
	2006-07 est.	7,491,027	12.8

Assumptions

The fines and forfeitures revenue to the City derive from fines related to parking, traffic, criminal, animal control, defensive driving school, adult diversion, domestic violence, and false alarms, plus revenue from public defender reimbursements, forfeitures, and boot fees. Much of the FY 2001-02 increase is related to Council-approved increases in false alarm fines and alarm system registration fees and a police selective neighborhood traffic enforcement unit. Projected increases are based on enhanced collection efforts and rate changes.

Major Influences: Population, Crime Rate and Internal Policy (Enforcement, Number of Police Officers)

Fines and Forfeitures



Transit Tax



Restrictions	Fiscal Year	Amount	Percent Change
<p>Represents a portion of the City sales tax dedicated by public vote to transit-related purposes, such as bus acquisition and maintenance, connecting bus routes to neighboring cities, bus stop construction, transit planning, and light rail construction.</p> <p>*Collections over a six month period</p>	1996-97*	\$10,429,431	-
	1997-98	23,212,252	122.6
	1998-99	25,300,000	9.0
	1999-00	26,384,500	4.3
	2000-01	27,310,246	3.5
	2001-02	25,229,927	(7.6)
	2002-03	25,187,121	(0.2)
	2003-04	26,740,623	6.2
	2004-05	28,848,493	7.9
	2005-06 est.	32,000,000	10.9
	2006-07 est.	33,984,000	6.2

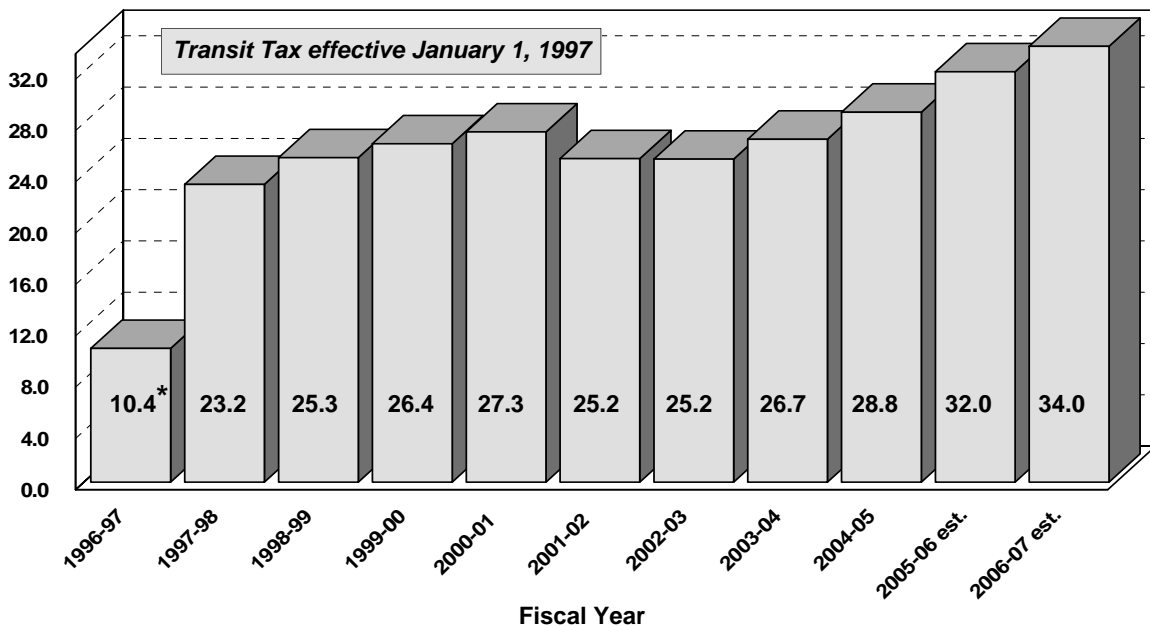
Assumptions

The Transit Tax represents 1/2 cent of the 1.8% City Sales Tax. The tax for transit was approved by Tempe voters in September 1996 and became effective January 1, 1997. The revenue for FY 1996-97 only reflects collections over the last half of the fiscal year. Although the estimate for FY 2006-07 mirrors our trend for overall City sales tax growth, it does slightly deviate due to nuances resulting from rebates and tax incentives.

Major Influences: Taxable Sales, Population and Consumer Price Index

Transit Tax

\$ Millions



Performing Arts Tax



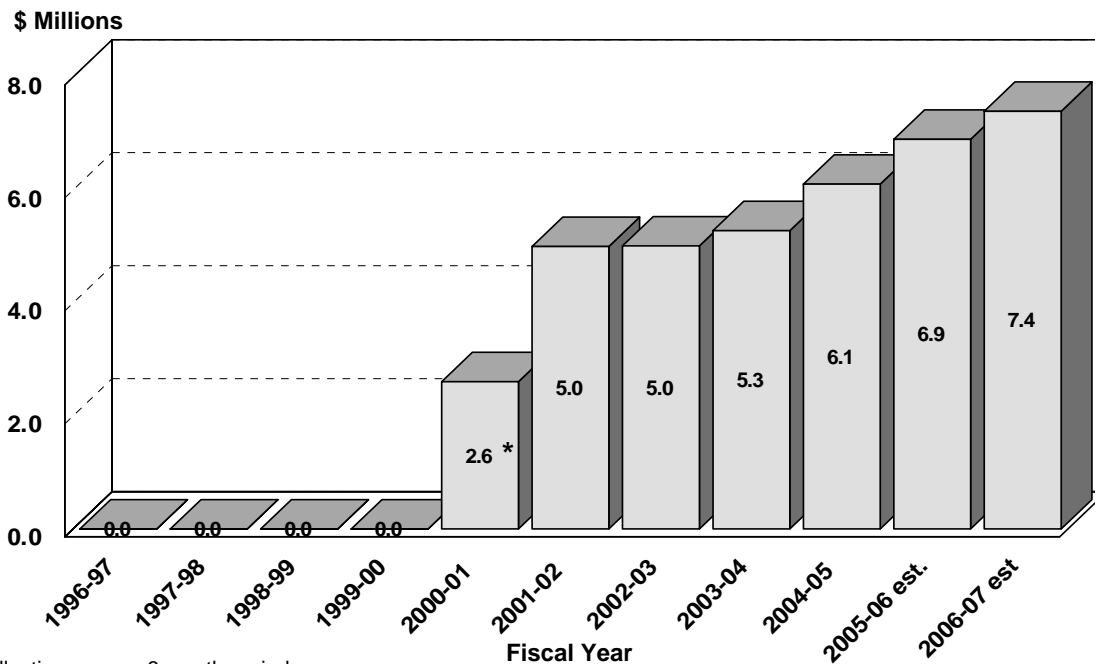
Restrictions	Fiscal Year	Amount	Percent Change
Represents a portion of the City sales tax dedicated by public vote for construction and operation of the Performing Arts Center. *Collections over a six month period	2000-01*	\$2,607,541	-
	2001-02	4,999,984	91.2
	2002-03	5,010,392	(0.2)
	2003-04	5,279,580	5.4
	2004-05	6,103,402	15.6
	2005-06 est.	6,897,355	13.0
	2006-07 est.	7,393,250	7.2

Assumptions

The Performing Arts Tax represents 1/10 cent of the 1.8% City Sales Tax. This tax was approved in May 2000 and became effective January 2001. Although the estimate for FY 2006-07 mirrors our trend for overall City sales tax growth, it does slightly deviate due to nuances resulting from rebates and tax incentives.

Major Influences: Taxable Sales, Population, and Consumer Price Index

Performing Arts Tax



* Collections over a 6 month period

Highway User Tax



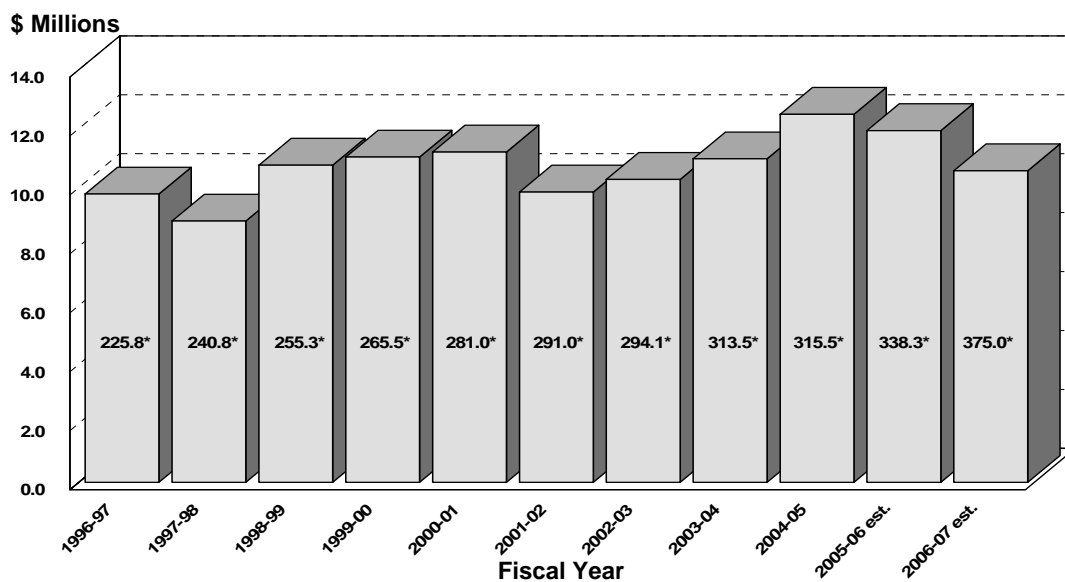
Restrictions	Fiscal Year	Amount	Percent Change
Proceeds can be used only for street and highway purposes including right-of-way acquisition, construction, reconstruction, maintenance, and payment of debt service on highway and street bonds.	1996-97	\$9,788,235	(4.4)
	1997-98	8,870,589	(9.4)
	1998-99	10,767,285	21.4
	1999-00	11,041,067	2.5
	2000-01	11,213,830	1.6
	2001-02	9,853,831	(12.1)
	2002-03	10,285,028	4.4
	2003-04	10,981,726	6.8
	2004-05	12,492,819	13.8
	2005-06 est.	11,938,207	(4.4)
	2006-07 est.	10,577,820	(11.4)

Assumptions

Highway User Revenue Fund (HURF) revenue is comprised primarily of a share of the state-imposed tax on fuel (18 cents per gallon), but also includes a portion of vehicle license taxes and other motor carrier permits and fees. Of the statewide total collected HURF revenue, 27.5% is distributed to cities and towns. Half of this pool amount is distributed based on each city or town's percentage share of the statewide total population of all incorporated cities and towns. The remaining one-half is divided into county pools based on each county's share of statewide fuel sales. Within each county, cities and towns receive an allocation based on their percentage share of total incorporated population in the county. Reductions in FY 1996-97 and FY 1997-98 were the result of the 1995 mid-decade Census, which placed Tempe at 4.5% of the state's population, down from the previous 5% share. The FY 2001-02 decline is a reflection of the 2000 Census, which resulted in Tempe's share declining to 4.0%. The 2005 mid-decade Census estimates a further decline to 3.4% which will result in a year over year decrease in revenue.

Major Influences: Population, State Policy, Economy and Gasoline Sales

Highway User Tax



* Total State Shared Highway User Tax Revenue Pool distributed to Cities/Towns.

Local Transportation Assistance Fund



Restrictions	Fiscal Year	Amount	Percent Change
Proceeds can be used only for street and highway projects, for any construction or reconstruction in the public right-of-way as well as transit programs.	1996-97	\$1,081,122	(0.7)
	1997-98	1,019,776	(5.7)
	1998-99	1,000,596	(1.9)
	1999-00	976,015	(2.5)
	2000-01	957,785	(1.9)
	2001-02	900,415	(6.0)
	2002-03	870,471	(3.3)
	2003-04	845,814	(2.8)
	2004-05	820,811	(3.0)
	2005-06 est.	799,186	(2.6)
	2006-07 est.	783,200	(2.0)

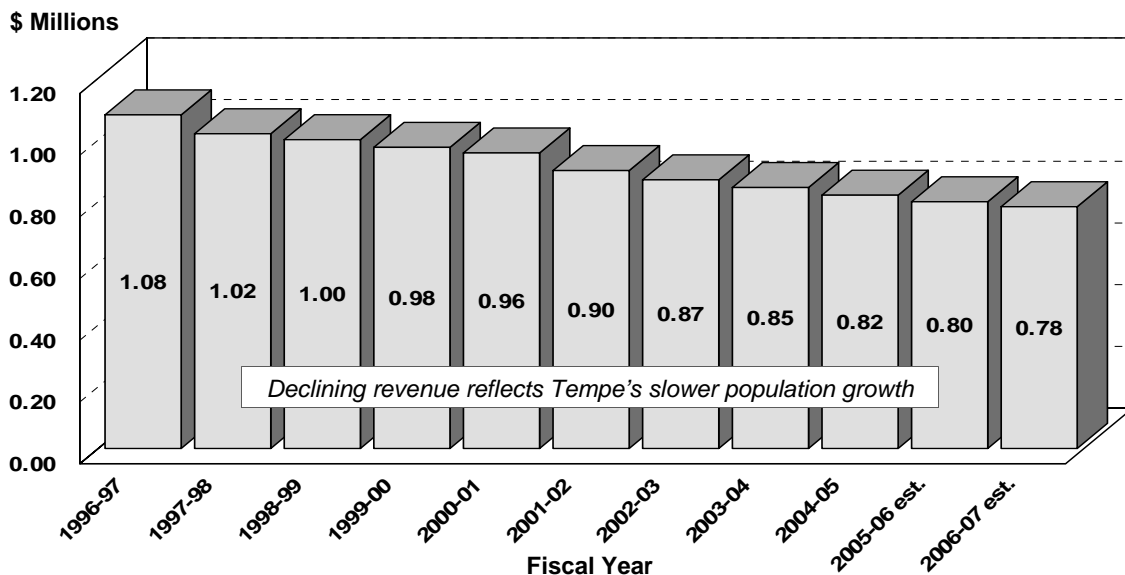
Assumptions

Revenue is derived from the state lottery game and the multi-state Powerball lottery game. By state statute, the state must distribute at least \$20.5 million annually to cities and towns from state lottery revenue, up to a maximum total distribution pool of \$23 million. Amounts distributed to cities and towns are based on their percentage share of statewide population as determined and updated annually by the state Department of Economic Security. Revenue derived from Powerball may be received only after the state first collects \$31 million from Powerball sales. If this threshold is reached, the state will distribute up to a total of \$18 million from Powerball revenue, dividing the pool into amounts based on each county's share of lottery ticket sales. Amounts from these county pools distributed to cities and towns are based on each city or town's share of incorporated population in the county.

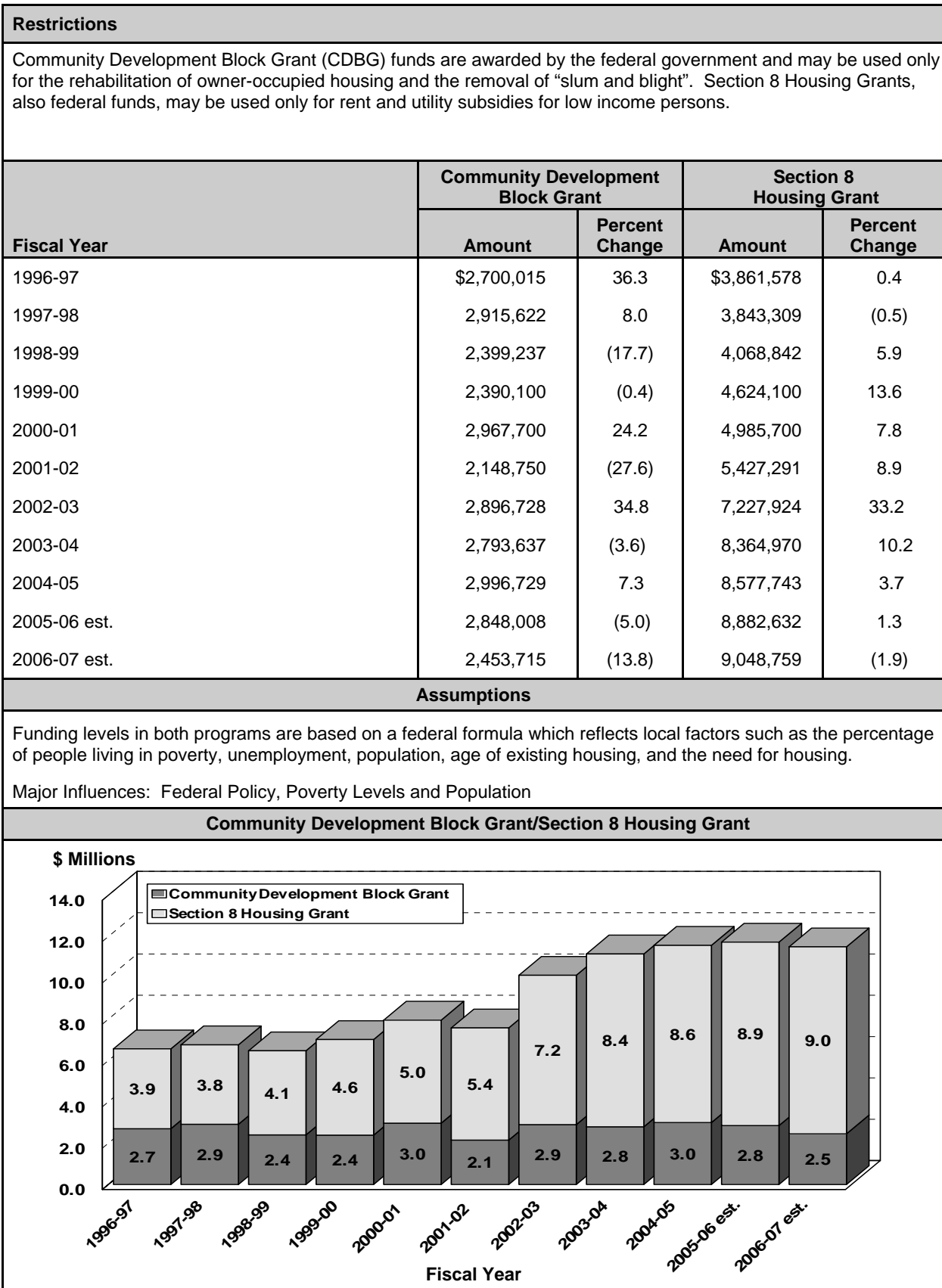
The lottery state shared pool is adjusted every year by population determined by the Department of Economic Security. Tempe's declining share of statewide population accounts for the lottery revenue reduction over the past 10 years.

Major Influences: Population (relative to State) and Lottery Ticket Sales

Local Transportation Assistance Fund



Community Development Block Grant/Section 8 Housing Grant



Water/Wastewater User Fees



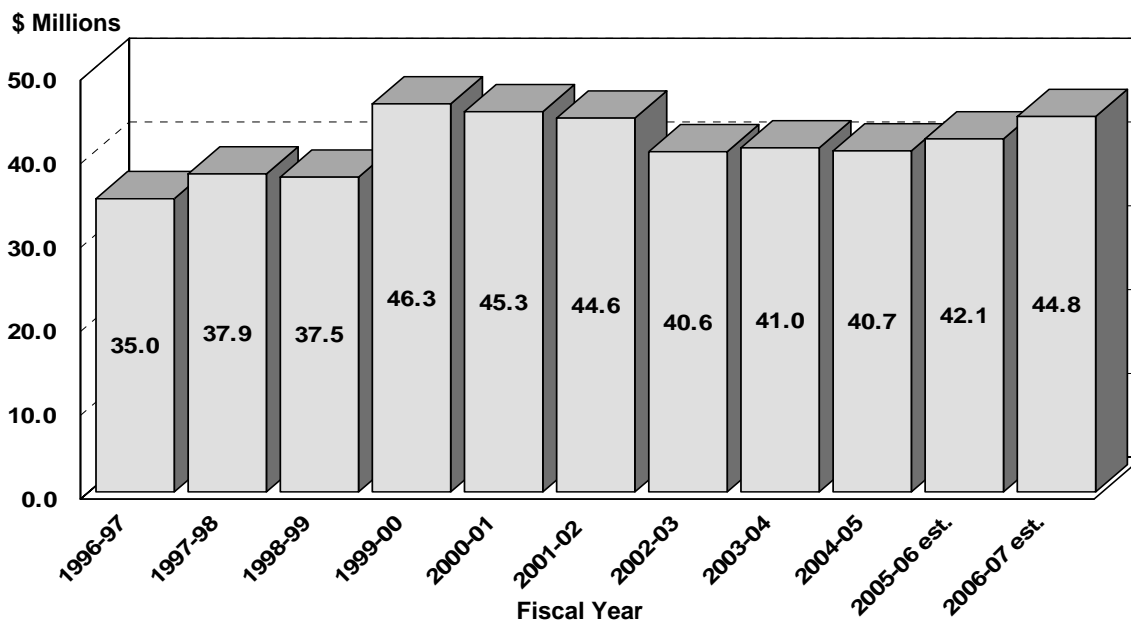
Restrictions	Fiscal Year	Amount	Percent Change
Fees can only be used to support the Water/Wastewater enterprise.	1996-97	\$34,979,993	6.3
	1997-98	37,928,781	8.4
	1998-99	37,540,000	(1.0)
	1999-00	46,296,100	23.3
	2000-01	45,349,960	(2.0)
	2001-02	44,591,306	(1.7)
	2002-03	40,586,501	(9.0)
	2003-04	41,037,476	1.1
	2004-05	40,674,305	(0.9)
	2005-06 est.	42,122,688	3.6
	2006-07 est.	44,783,245	6.3

Assumptions

Water/Wastewater revenue is derived from fees and service charges assessed to residential and commercial customers of the City's water and wastewater systems. Revenue also includes charges to the City's residential irrigation customers. Over the past few years, both water and sewer rates have been adjusted to address increased costs resulting from inflation, debt service on capital projects, and environmental regulation compliance. The most recent fee adjustment went into effect on November 1, 2005. Water rates were increased by 4%, irrigation rates were increased by 9%, and sewer rates for residential customers increased by 7.7%.

Major Influences: Population, Internal Policy, Water Consumption Patterns and Weather

Water/Wastewater User Fees



Solid Waste Fees



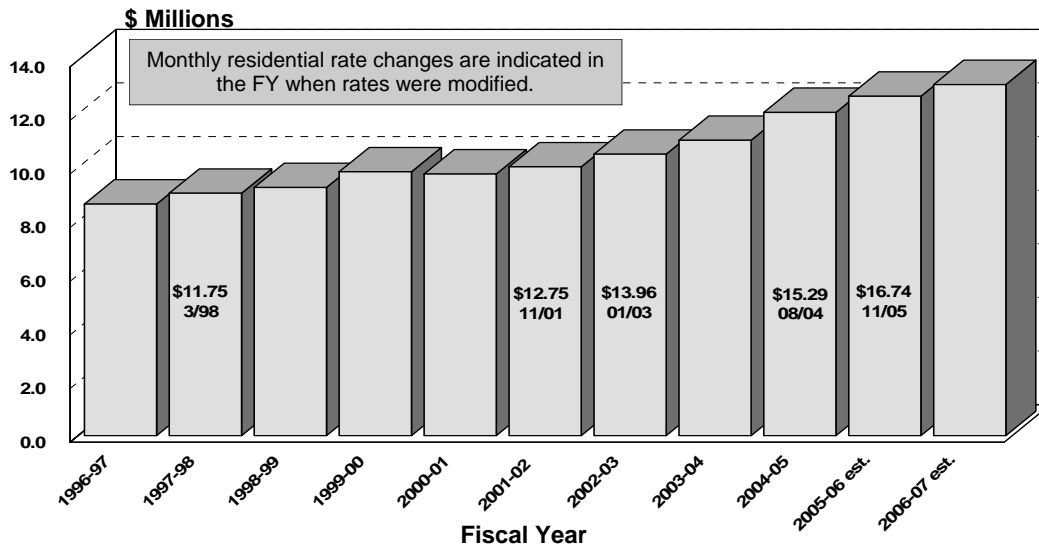
Restrictions	Fiscal Year	Amount	Percent Change
Used to defray costs of providing solid waste collection and disposal service.	1996-97	\$8,636,576	1.8
	1997-98	9,039,504	4.7
	1998-99	9,256,680	2.4
	1999-00	9,840,100	6.3
	2000-01	9,758,199	(0.8)
	2001-02	10,024,863	2.7
	2002-03	10,496,774	4.7
	2003-04	11,014,949	4.9
	2004-05	12,054,563	9.4
	2005-06 est.	12,659,440	4.8
	2006-07 est.	13,095,538	3.4

Assumptions

The collection and disposal of solid waste constitutes the City's second largest enterprise operation. Revenue derives from user fees for residential, commercial, roll-off, and uncontained solid waste service. As the graph below indicates, residential solid waste fees were increased five times starting in FY 1998-99 to address increased landfill and recycling costs. Most recently, residential rates were increased in November 2005 to address projected shortfalls in the Solid Waste Fund. Solid waste fees are reviewed annually to determine if the fee structure will generate sufficient revenue to cover operating expenses and provide a reserve for capital expenditures and contingencies.

Major Influences: Population, Internal Policy, and Commercial Market/Competition

Solid Waste Fees



Golf Course Fees



Restrictions

Revenue is used to defray costs of operating the Rolling Hills and Ken McDonald golf courses.

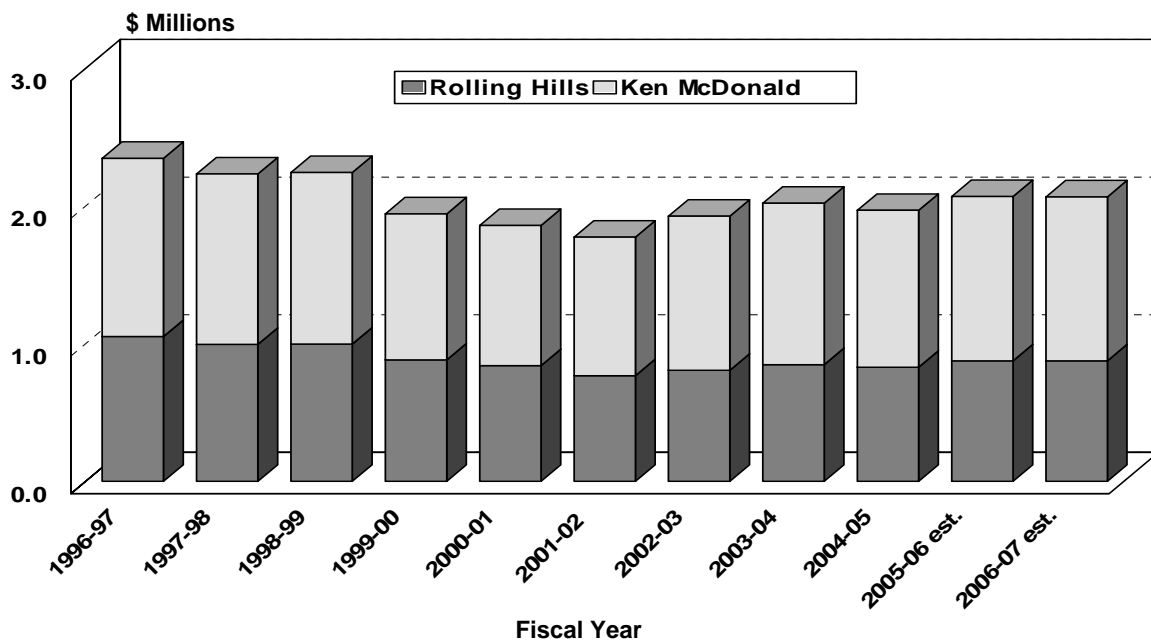
Fiscal Year	Rolling Hills		Ken McDonald	
	Amount	Percent Change	Amount	Percent Change
1996-97	\$1,051,586	3.5	\$1,294,228	11.9
1997-98	994,964	(5.4)	1,237,961	(4.4)
1998-99	997,000	0.2	1,246,000	0.7
1999-00	882,082	(11.5)	1,060,418	(14.9)
2000-01	840,000	(4.8)	1,018,500	(4.0)
2001-02	767,285	(8.7)	1,006,532	(1.2)
2002-03	806,588	5.1	1,119,184	11.2
2003-04	847,844	5.1	1,172,288	4.7
2004-05	828,454	(2.3)	1,139,519	(2.8)
2005-06 est.	875,000	5.6	1,193,256	4.7
2006-07 est.	875,000	0.0	1,190,729	(0.2)

Assumptions

Revenue from greens fees account for nearly 87% of golf course revenue, with the rest coming from lease agreements with the pro shops and restaurant concessionaires. Our projection conservatively assumes a slight decline in revenue, particularly in light of the volatility that can result from weather conditions or fee changes, and competition from private courses.

Major Influences: Competition from Other Golf Courses, Weather, and City Fee Policy

Golf Course Fees





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